

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2008-230-E - ORDER NO. 2008-530

JULY 30, 2008

IN RE: Petition of South Carolina Electric and Gas)	ORDER GRANTING
Company for an Order Authorizing the)	PETITION FOR AN
Deferral of all Capacity Charges Incurred as)	ACCOUNTING ORDER
a Result of Purchasing Power Necessary to)	ON CAPACITY
Meet the Needs of Its Customers and Electric)	CHARGES
System During the 2008-2018 Time Period)	

This matter comes before the Public Service Commission of South Carolina (“Commission”) on the Petition of South Carolina Electric & Gas Company (“SCE&G” or “the Company”) for an Accounting Order authorizing the deferral of all capacity charges incurred as a result of purchasing power to meet customer and system needs during the 2008-2018 time period. For the reasons stated below, we grant the Petition, and issue the Accounting Order.

On May 28, 2008, SCE&G filed with this Commission its 2008 Integrated Resource Plan (“2008 IRP”), which contains, among other things, information concerning the Company’s projected loads and resources for the next fifteen years. According to the 2008 IRP, the Company estimates that in order to provide reliable electric service to its customers, SCE&G’s system will require additional capacity averaging approximately 218 MW each year during the 2008-2018 timeframe, exclusive of the need for additional base load capacity in 2016. The 2008 IRP indicates that all of this additional capacity will be supplied as purchased power; however, instances may

arise in which SCE&G would not purchase off-system power in a particular year because such a purchase may not be economical and/or beneficial to SCE&G's customers. In these instances, SCE&G states that it may elect to self-build generation rather than purchase capacity in order to meet its growing need for electricity.

SCE&G has concluded that if it does not make any capacity purchases in the 2008-2018 time period, then its reserve margin would fall below the Company's minimum target range of 12% in 2008 and slide to 4% by 2015. Accordingly, SCE&G intends to purchase firm capacity and associated energy over the next eleven years beginning in 2008 to ensure that its customers receive reliable electric service and that the Company maintains an adequate reserve margin.

In anticipation of the multiple capacity purchases necessary to meet the growing demand for electric power by its customers, and to maintain the reliability of its electric system, SCE&G seeks authorization from this Commission to defer and record as a regulatory asset all capacity charges incurred as a result of purchasing power in the 2008-2018 time period.

The Office of Regulatory Staff ("ORS") has reviewed the request and has no objections. ORS notes the Company's assertion that the relief requested will not involve a change to any of SCE&G's retail rates or prices and will not prejudice the right of any party to address this issue in a subsequent general rate case proceeding.

ORS's review determined that short-term capacity purchases were excluded from Operating and Maintenance (O&M) expenses in SCE&G's most recent rate proceeding, in Docket No. 2007-229-E. Therefore, the currently approved SCE&G electric retail rates

only include FERC approved long-term capacity charges for power purchased from GENCO. The cost as well as the prudence of these short-term purchases will be issues subject to contention by any party in any appropriate future proceeding before the Commission. ORS asserts that SCE&G should monitor this deferral account and provide a status update on an annual basis to ORS and the Commission.

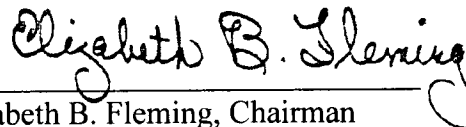
We have examined this matter. We hold that the Petition should be granted and the Accounting Order issued as described by SCE&G. The Company may defer and record as a regulatory asset all capacity charges incurred as a result of purchasing power in the 2008-2018 time period. We agree that the cost as well as the prudence of these short-term capacity purchases will be issues subject to contention by any party in any appropriate future proceeding before this Commission. We also agree with the reasoning as outlined by ORS, and hold that SCE&G should monitor this deferral account and provide a status update on an annual basis to both ORS and to this Commission.

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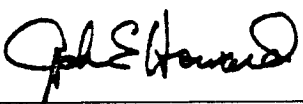
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This Order shall remain in full force and effect until further order of the Commission.

BY ORDER OF THE COMMISSION:


Elizabeth B. Fleming, Chairman

ATTEST:


John E. Howard, Vice Chairman

(SEAL)